

Message Text

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ACTION COME-00

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FM AMEMBASSY ASUNCION

TO AMCONSUL RIO DE JANEIRO PRIORITY

INFO SECSTATE WASHDC 5509

AMEMBASSY BRASILIA

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E.O. 11652: N/A

TAGS: BEXP, PA

SUBJECT: ITAIPU HYDROELECTRIC PROJECT

REF: ASUNCION 3084

1. DURING DISCUSSION LU/KRAUCH ON 9 AUGUST IN RIO, KRAUCH EXPRESSED HIS CONCERN ABOUT ALLIS CHALMERS' PARTICIPATION ON ITAIPU PROJECT. KRAUCH FEELS A-C'S ONLY POSSIBILITY IS TO ASSOCIATE WITH THE GENERAL ELECTRIC PACKAGE. KRAUCH WOULD LIKE TO TALK TO FRED SIEBENSOHN, A-C HYDRO TURBINE DIVISION SALES MANAGER WHILE BOTH ARE IN RIO DURING WEEK OF 11 AUGUST. AT THAT TIME, KRAUCH WOULD LIKE UNDERSTANDING OF A-C'S INTEREST AND APPROACH ON ITAIPU PROJECT. SIEBENSOHN SHOULD CONTACT KRAUCH AT HOTEL SHERATON RIO OR AT ITAIPU CO. (TEL. 231-3840).

2. THE FOLLOWING ARE OTHER COMMENTS MADE BY KRAUCH:

A) THE EUROPEAN CONSORTIUM LEAD BY BROWN BOVERI HAS RECEIVED CONSIDERABLE INTEREST AT HIGHEST LEVELS OF ITAIPU, CO., ESPECIALLY THE FINANCING OFFER. THOUGH KRAUCH HAS NOT SEEN THE FINANCING PROPOSAL, HE SAID THE GERMANS ARE OFFERING SUBSTANTIAL CRUZEIRO FINANCING.

KRAUCH FEELS THAT BECAUSE OF THE EUROPEAN COMPLETE PROPOSAL, THERE IS REAL POSSIBILITY THAT THE ITAIPU

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EQUIPMENT PACKAGE WILL BE NEGOTIATED WITHOUT GOING

THROUGH BIDDING PROCESS. (KRAUCH MAY HAVE GOTTEN THIS IMPRESSION AT A MEETING IN BRASILIA DURING WEEK OF 4 AUGUST WHERE BOTH KRAUCH AND DEBERNARDI WERE ATTENDING.)

B) REGARDING WESTINGHOUSE PARTICIPATION, KRAUCH SAID THAT WESTINGHOUSE POSITION IN EUROPEAN CONSORTIUM DOES NOT INCLUDE ACCEPTING COMMERCIAL RESPONSIBILITY, THEREFORE, THE WESTINGHOUSE ROLE WILL BE LIMITED TO THAT OF TECHNICAL ADVISOR TO THE CONSORTIUM. ALSO, WESTINGHOUSE IS RUMORED TO BE IN ANOTHER CONSORTIUM WITH ITALIANS (GIE AND ASGEN).

C) NOTWITHSTANDING A) ABOVE, KRAUCH ALSO MENTIONED THAT IF ITAIPU IS TENDERED AND BID ACCORDING TO ANNOUNCED ITAIPU CO. SCHEDULE, HE SEES CONTRACTS FOR THE FIRST SIX TURBINE/GENERATOR UNITS SPLIT UP AND AWARDED TO SEVERAL CONSORTIA AT INCREMENTS OF ABOUT \$100 MILLION EACH. HE BASED THIS COMMENT ON EXPERIENCE FROM THE RECENT BIDDING ON THE ITAIPU DIVERSION CANAL.

3. WOULD APPRECIATE CONGEN PASS INFO IN PARA 1) TO SIEBENSOHN AND IF POSSIBLE REPORT RESULTS OF SIEBENSOHN/KRAUCH MEETING.
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